British Columbia Securities Commission

2016/17 – 2018/19
SERVICE PLAN

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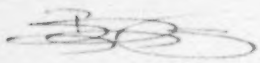
Accountability Statement

The 2016/17 - 2018/19 British Columbia Securities Commission (BCSC) service plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. I am accountable for the contents of the plan, including what has been included in the plan and how it has been reported. I am responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 8, 2016 have been considered in preparing the plan. The performance measures presented are consistent with the Taxpayer Accountability Principles, the B.C. Securities Commission's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of the BCSC's operating environment, forecast conditions, risk assessment, and past performance.



Brenda M. Leong
Chair and Chief Executive Officer

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Glossary

B.C.	British Columbia
BCSC	British Columbia Securities Commission
CDS	CDS Clearing and Depository Services Inc.
CGI	CGI Information Systems and Management Consultants Inc.
Cooperative System	Cooperative Capital Markets Regulatory System
CMRA	Capital Markets Regulatory Authority
CMSA	Capital Markets Stability Act
CSA	Canadian Securities Administrators
G20	Group of 20 Major Economies
IIROC	Investment Industry Regulatory Organization of Canada
NI	National Instrument
NOH	Notice of Hearing
OSC	Ontario Securities Commission
TAP	Taxpayer Accountability Principles
TSX-V	TSX Venture Exchange

Strategic Direction and Context:

Strategic Direction and Operating Environment

Transition to a cooperative capital markets regulatory system

British Columbia, Ontario, Saskatchewan, New Brunswick, Prince Edward Island, Yukon and Canada are jointly engaged in the implementation of the Cooperative Capital Markets Regulatory System (the Cooperative System). The Cooperative System is designed to streamline the capital markets regulatory framework to protect investors, foster efficient capital markets and manage systemic risk while preserving strengths of the current system.

The participating jurisdictions will seek the enactments of a uniform *Capital Markets Act*, which harmonizes and modernizes the aspects of capital markets regulation within their jurisdiction. The federal government will seek the enactment of a complementary Capital Markets Stability Act. Administration of these Acts will be delegated to a cooperative regulator, the Capital Markets Regulatory Authority (CMRA), that will be accountable to a Council of Ministers representing participating jurisdictions.

The BCSC will continue to provide expertise and Commission resources to effectively support, develop and implement the Cooperative System. As we transition towards the Cooperative System, we continue to work cooperatively with the Canadian Securities Administrators (CSA) to ensure the ongoing efficient functioning of the capital markets.

Crown's 2016/17 Mandate Letter and the Taxpayer Accountability Principles

The BCSC is committed to meeting government's expectations as set out in its Mandate Letter. We also model government's Taxpayer Accountability Principles (TAP) to ensure accountability and cost control. Specifically:

- We deliver cost-effective regulation to market participants.
- We control expense growth in three main ways: preparing an annual budget for Board approval; conducting monthly budget variance reporting; and requiring Board approval of significant expense variances.
- We continuously improve our services, which yields two key benefits: increased capacity to monitor and analyze market activity and increased efficiency of our processes.

The Ministry of Finance and the BCSC have agreed on TAP metrics as set out in the Service Plan Measures that accompany each goal and also to an engagement plan including semi-annual meetings to evaluate our TAP compliance. Further, we have revised our compensation philosophy to articulate more clearly its alignment with government's core compensation principles.

Performance Plan:
Goals, Strategies, Measures, and Targets

Goal 1: Promote a culture of compliance

Investors are better protected if securities firms and companies operating in the capital markets understand and comply with their regulatory obligations. They must have effective systems and controls in place to ensure compliance with securities rules. We apply risk-based reviews and take appropriate action to correct non-compliance.

We register securities firms and their advisors (except Investment Industry Regulatory Organization of Canada (IIROC) member firms and advisors) and refuse applications from unsuitable candidates. We audit these securities firms routinely for compliance with the rules. We also oversee the conduct of the TSX-V, CDS, IIROC, and the Mutual Fund Dealers Association, all of which are recognized in B.C. This involves close and regular interaction with these entities, reviewing ongoing filings, proposed rule and fee changes, and conducting periodic oversight reviews.

The BCSC regulates companies and insiders and reviews prospectus filings that companies make when they go public or when they are already public. The prospectus is a key disclosure document used by companies to raise money from the public. Public companies also file continuous disclosure documents and mining technical disclosure that we monitor to detect cases where they are not providing adequate disclosure. Investors are better able to make informed investment decisions when they have access to periodic and timely disclosure. In addition, we monitor two other types of market activity: daily trading of over-the-counter companies that file with the BCSC, and the private placement of securities by non-reporting issuers.

Strategy 1: Implement a derivatives regime

Staff are working with other CSA jurisdictions to fulfill the G20 commitments made by Canada's Minister of Finance following the 2008 financial crisis. Requirements that market participants report their over-the-counter derivatives trades to trade repositories, and that trade repositories be recognized, are due to be adopted before the start of fiscal 2017. The BCSC will finalize plans to receive trade reporting information in a database and create tools to help us analyse that information. Staff will also educate market participants and trade repositories about the requirements to ensure a successful launch of this new regime. Finally, staff will prepare and roll out programs to test market participants' compliance and oversee trade repositories.

Staff will also continue policy development work in coordination with other CSA jurisdictions for:

- Mandatory clearing of derivatives
- Margin and collateral requirements
- Registration for derivatives dealers and advisors
- Market conduct requirements

Strategy 2: Implement reforms to improve client-registrant relationships

We are working with the Alberta Securities Commission to conduct research and in some areas, reform current rules related to the client-registrant relationship to improve consumer outcomes. We have identified these broad problems:

- Misplaced trust and reliance
- Client portfolios underperforming common benchmarks
- Clients not getting results intended in regulatory framework

We will work with other securities commissions to consider appropriate regulatory responses to improve investor outcomes. In addition, B.C. is leading a CSA project to measure the impact that Client Relationship Model – Phase 2 reforms and point of sale pre-sale disclosure have on investor knowledge, attitudes, and behaviors, distribution firm practices, and mutual fund fees and asset flows.

Performance Measures for Goal 1

Performance Measure	2014/15 Actual	2015/16 Forecast[1]	2016/17 Target	2017/18 Target	2018/19 Target
1. Percentage of reviewed issuers that reduce deficiencies:					
a) Improved disclosure subsequent to a continuous disclosure review	100%[2]	>95%	>95%	>95%	>95%
b) Improved disclosure to minimum standards	100%	>95%	>95%	>95%	>95%
2. Percentage of randomly sampled mining issuers that meet the minimum standards for technical disclosure in:					
a) Filed disclosure (annual information forms, news releases, management discussion and analysis)	75%[3]	Improve on 14/15 actual	Improve on 15/16 actual	Improve on 16/17 actual	Improve on 17/18 actual
b) Issuer websites and other voluntary disclosure	66%	71%	Increase average by 5% over 15/16	Increase average by 5% over 16/17	Increase average by 5% over 17/18
3. Average number of deficiencies per examination in Capital Markets Regulation	4.64	4.18	Decrease average by 5% over 15/16[4]	Decrease average by 5% over 16/17	Decrease average by 5% over 17/18

Data Sources: BC Securities Commission.

1. Actual data for all targets will be included in the 15/16 Annual Report.
2. Measures work done 12-24 months before the report: issuers reviewed by the BCSC from April 2016 to March 2017 will be reported on in May 2018. Based on a sample of 16 issuers.
3. Based on a survey of 40 randomly selected B.C. mining companies.
4. A 5% year-over-year reduction is an ambitious target because deficiencies have already declined significantly since we first started this measure in 2007 (down from 7.3) and our compliance focus is on riskier registered firms of the large number of newly-registered businesses.

Discussion

Measure 1: At the end of each fiscal year, we retain an independent consultant to analyze the subsequent continuous disclosure of a statistically significant random sample of issuers that received continuous disclosure comment letters from us during the year. The results show the extent to which our detailed continuous disclosure review work motivated non-compliant issuers to improve their disclosure. The target is set to what is practically achievable and reflects compliant behaviour by issuers.

Measure 2: We randomly select issuers from a list of B.C.-based mining issuers and analyze whether their most recent technical filings were compliant with NI 43-101 *Standards of Disclosure for Mineral Projects*. This review shows the extent to which a sample of B.C.-based mining issuers is compliant in specific areas of their technical disclosure. The targets recognize that, based on historical results, these measures fluctuate; however, we aim to improve these percentages as a sign of increased industry compliance.

Measure 3: Using various risk indicators, we rate firms to determine how frequently and closely to examine their compliance. This shows the average deficiencies found in completed exams performed over the period. We exclude firms subjected to audits for cause. The target is set to decrease these percentages as a sign of increased industry compliance.

Goal 2: Act decisively against misconduct

Our Enforcement division focuses on cases with a strong B.C. connection. These include:

- Illegal distributions, including misrepresentations and fraud
- Market misconduct, including market manipulation and insider trading
- Compliance cases, including non-compliance by dealers and issuers
- Criminal cases related to securities transactions

Pursuing illegal distributions and fraud through both administrative and criminal enforcement is a critical part of our work. Our objectives are to deter fraudulent activity and illegal distributions, and to mitigate investor losses by disrupting ongoing frauds and illegal distributions. To this end, we:

- Identify and freeze cash and other assets to preserve property for distribution to victims
- Issue temporary orders to immediately stop misconduct
- Conduct investigations, leading to settlements or administrative hearings before the Commission
- Pursue criminal investigations and refer appropriate cases to Crown Counsel for prosecution
- Use traditional and social media to issue investor alerts about suspected frauds in progress
- Educate investors about the warning signs of investment fraud so that fewer of them fall victim to fraudulent activity

Strategy 3: Upgrade approach to investigating insider trading

We regularly receive referrals from IIROC regarding possible insider trading activity. About 5% of these referrals lead to an investigation. In the last five years, we have pursued 10 insider trading cases resulting in settlement or a notice of hearing (NOH).

The BCSC currently employs four risk-based models related to public company disclosure, private company exemption filings, new registered individuals, and directly-regulated firms. We will develop and implement a fifth risk-based model that will score IIROC referrals and prioritize them for potential investigations. This will allow us to shift our efforts away from analyzing raw data to determine which trades should be more closely examined.

Performance Measures for Goal 2

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
4. Actions taken to disrupt misconduct:					
c) Number of actions	127	140	Increase 10% over 15/16	Increase 10% over 16/17	Increase 10% over 17/18
d) Average duration of complaint to action (days)	72	65	Decrease average by 10% over 15/16	Decrease average by 10% over 16/17	Decrease average by 10% over 17/18
5. Average life, in months, of cases either from complaint to NOH or from complaint to settlement before an NOH is issued	20.3	22	Set according to review	Set according to review	Set according to review

Data Sources: BC Securities Commission

Discussion

Measure 4: This measure focuses our efforts on early detection and shows our ability to take early action to stop the misconduct. We can significantly reduce the harm to the public when we can identify and act quickly to disrupt misconduct. Stopping investment schemes before they start and preventing further participation in existing schemes is more effective than prosecuting them after there is more significant damage to investors. Disruptive action provides a valuable visible benefit to the public. We will track the number of disruptive actions taken by staff. We set our targets to increase the number of disruptive actions taken year-over-year and reduce the average time to take action.

Measure 5: Quick, thorough investigations provide the public with confidence in the actions that we take to address misconduct. We want to be transparent about the average time our administrative enforcement process takes. For cases open during the fiscal year, we measure the average case duration from start to issuing the NOH or, absent an NOH, the settlement. Because of the relatively small number of cases we process each year (15-20), a small number of "outliers" can significantly affect our targets. We set our target each year using information from our current caseload.

Goal 3: Educate investors

We want B.C. investors to have the confidence to research and assess potential investments before they invest, to recognize and reject investments that are unsuitable for them or potentially fraudulent, and to know where to report fraudulent investment activity when they encounter or suspect it. To this end, we focus on the following core areas to support a successful investor education program:

- *Empowering investors to make wise investment decisions.* Through our public awareness activity, we communicate that what investors know, feel, and do matters when it comes to how they view their investment outcomes. Through our BCSC InvestRight and BeFraudAware websites, we provide tools and information to help investors build the skills and knowledge they need to make wise investment decisions.
- *Reaching investors early.* We support the teaching of financial life skills education in B.C. high schools and deliver fraud prevention seminars in communities to help investors spot fraudulent investments before they suffer investment losses.

Strategy 4: Smarter Investor Campaign

The purpose of our public awareness activity since 2011 has been to empower investors to recognize and reject investment fraud. Having helped older British Columbians to fraud-proof themselves through our award-winning BeFraudAware campaign, we now focus on empowering B.C. investors aged 35 and older to become "smarter" investors. Fraud awareness remains central to our mission, but the new Smarter Investor campaign recognizes the impact of investor knowledge, attitudes and behaviour on investment outcomes.

We launched this campaign last fiscal year with national research that introduced the Smarter Investor Index and new findings on the role of personality on investor confidence, both of which form the basis of our ongoing Smarter Investor campaign.

Performance Measures for Goal 3

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
6. Number of phone contacts to BCSC Inquiries triggered by InvestRight activity	40	42	Increase 5% over 15/16	Increase 5% over 16/17	Increase 5% over 17/18
7. Percentage of workshop participants who recall the warning signs of investment fraud	47%	Set new baseline[1]	Increase 3% over 15/16	Increase 3% over 16/17	Increase 3% over 17/18
8. Percentage of British Columbians public aware of BCSC	34%[2]	>45%	>45%	>45%	>45%

Data Sources: Measure 6: Inquiries tracking system; Measure 7: Online survey; Measure 8: Consumer survey.

1. Conducting an online survey is a change from the third-party phone survey follow-up we conducted from 2004 – 2015. Because we cannot accurately predict the impact of this methodology change, we will use this year's findings to set a new baseline. The 2014/15 Actual was created from the phone surveys.
2. Third-party survey, measuring aided awareness in the B.C. population among adults 18 and over. While the general population showed 34% awareness, awareness was 48% among our key target audience aged 50 and older.

Discussion

Measure 6: *Through our public awareness and outreach programs, we aim to increase the flow of information from the public about known or suspected investment frauds and set targets with the expectation that investor education activity will generate more contact over time. We have included this measure to reflect all points of contact between the public and our BCSC Inquiries call centre. Upon assessing the difficulties of collecting such information when people contact BCSC Inquiries by mail, fax, or email, we begin this year counting only phone contacts.*

Measure 7: *We deliver investor education workshops to British Columbians, primarily seniors, with the goal of growing awareness of the warning signs of investment fraud. We want seminar attendees to recall at least three of the five warning signs they learned during our presentations. To determine recall, we conduct an online survey with attendees who opt-in.*

Measure 8: *We aim to build awareness of the BCSC and our many investor education resources so that British Columbians will know where to turn and what to do when faced with a possible fraud or unsuitable investment opportunity. We use a consultant to survey the B.C. general population as part of a larger research effort. The target is set as a stretch goal for what we could practically achieve.*

Goal 4: Advance cost-effective regulation

Our goal is to advance cost-effective regulation. Regulation imposes costs through compliance requirements, restrictions on innovation, and fines. Investors inevitably pay these costs. We aim to provide strong investor protection and market integrity for the least cost by focusing on three core areas:

- *Emphasizing practical solutions.* When the market cannot fix market problems, we emphasize practical solutions, looking at the full range of potential regulatory responses and advancing only those that will provide significant benefits that exceed the costs.
- *Using our resources efficiently.* We deploy our resources efficiently through risk management, teamwork, and relevant performance measures.
- *Delivering services reliably.* We deliver key regulatory services, on a timely basis, recognizing that delay adds to costs for market participants.

Strategy 5: CSA system redesign

The BCSC is one of four CSA partners responsible for operating national filing systems, which are critical to both our regulatory system and market participants. We are closely involved in this multi-year system redesign project to replace various applications including B.C.'s exempt distribution filing systems. The CSA redesign will modernize the filing system for market participants and establish a platform for improved oversight analysis.

The BCSC is also involved in developing a Market Analytics Platform. This system will be owned by the CSA and only be available to regulators. It will initially include all equity and options trading data and will support our enforcement mandate.

Strategy 6: CSA exempt distribution report harmonization project

The CSA is working toward adopting a new national exempt distribution report in fiscal 2017. The harmonized form aims to reduce compliance costs by enabling companies to submit the same information to securities regulators across the country when raising money through a private placement. The new form will also require companies to submit information in a more structured format, which will allow securities regulators to analyze this information more effectively.

The BCSC will need to adapt our internal and external filing systems, data cleansing processes, databases, exempt market risk model, and business intelligence systems to the new form. These systems lead to cost effective regulation by automating the review of large volumes of information and directing limited staff resources to companies and private placements that pose the greatest risk to investors.

Performance Measures for Goal 4

Performance Measure	2015/16 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
1. Average score on cost effective regulation scorecard	97%[1]	90%	>80%	>80%	>80%
10. Average approved project post-implementation score	88%[2]	80%	>80%	>80%	>80%

Data source: **normal explanations*

1. *We scored two policy projects, none of which was a BC only initiative.*
2. *We scored two Information Management projects.*

Discussion

Measure 9: We use a scorecard to track 10 important steps and outcomes in responding to market problems. We apply the scorecard to all CSA and local projects. For CSA projects, the scorecard shows the extent to which we advocated our cost effective regulation principles (e.g., do we follow industry developments during the project, do we seek industry input on problem definition and on the alternatives for regulation, and do we do cost-benefit analysis). We analyze and report the average score of all projects completed each year, except those we adopt purely to harmonize with other jurisdictions. The target is set to show that we achieve our objectives if we hit the standards on the scorecard in all but one area.

Measure 10: We assess completed local projects by evaluating benefits achieved against the business case and score the project's success relative to its proposed benefits. A "project" is an initiative that takes more than 20 person days and/or costs more than $25,000. We justify projects via business cases that describe the expected benefits.

Goal 5: Transition to launch of CMRA

Our goal is to continue to work with government to seamlessly transition to the CMRA. Local market participants accustomed to working with the BCSC and filing documents through our systems and national systems will need to know how to continue to receive the services they do today.

The strategies under this goal summarize what transition-focused work we need to do to launch the CSMOA. Teams under strategies eight through twelve are structured with BCSC and OSC staff to co-lead with membership across CSMOA participating jurisdictions.

Strategy 7: Assist in the development of the CSMOA legislative framework

The BCSC will advise the B.C. Government on legislation and regulation and will work with participating jurisdictions to develop recommendations to participating governments on transition and migration.

Strategy 8: Prepare for new regulatory processes under CSMOA

The work under this strategy is to prepare the CSMOA to administer its new legislation on launch date. This will include providing market participants with clear contact points in the Cooperative System.

The federal government, the BCSC, and the OSC are co-leading a separate project to develop procedures to administer the new CSMOA legislation. The project focuses on information collection and systemic risk analysis.

Strategy 9: Prepare for new enforcement processes under CSMOA

The work under this strategy is to develop administrative and criminal enforcement procedures under the CSMOA's legislation.

Strategy 10: Prepare tribunal structures under CSMOA

The work under this strategy is to establish the tribunal as an independent division of the CSMOA to fulfill its mandate under the CSMOA legislation.

Strategy 11: Educate external stakeholders to prepare them for CSMOA

The work under this strategy is to educate market participants, investors, and all our stakeholders so that they have the information they need to seamlessly conduct their businesses at the launch of the CSMOA. Local market participants, accustomed to working with the BCSC and filing documents through our systems and national systems, will need to know how to continue receiving the services they do today.

Strategy 12: Address internal needs for transitioning to CSMOA

Together with the other participating jurisdictions, and following principles set out in the Memorandum of Agreement regarding the Cooperative System, the BCSC will undertake a range of work required for staff to contribute effectively to the CSMOA on launch and beyond.

Financial Plan

Overview of operations

The BCSC does not receive taxpayer funding. Most of our revenue comes from local filing, registration, and application fees paid by market participants under the Securities Act. A portion of our revenue is a 25% interest in a national filing system partnership (CSA partnership). The remainder of our revenue is investment income and enforcement sanctions.

Capital markets activity can be volatile, so we hold accumulated reserves to fund operations through market downturns.

Expenses relate to local operations and a proportionate interest in the CSA partnership. Compensation, occupancy, and asset amortization costs account for about 85% of local expenses. CMRA project spending totalled $0.8 million (M) in fiscal 2016 and is projected to be $3.2M in fiscal 2017. Please see the risks section for more information on this project.

We prepare an annual budget for approval by the Board, monthly budget variance reporting to management, and request Board approval of significant expense variances.

Summary financial outlook

BCSC generated a $0.1 M surplus for fiscal 2015.

For fiscal 2016, we are forecasting a $2.7M deficit. Revenue declined $0.1M (0%) and spending increased $2.6M (6%).

Key fiscal 2016 revenue changes:

- $0.7M (70%) lower sanctions receipts due to the timing and nature of enforcement files
- $0.5M (63%) lower investment income from portfolio losses due to interest rate changes
- $1.0M (5%) higher distribution revenue from fees on higher mutual fund gross sales

Key fiscal 2016 expense changes:

- $1.0M (29%) higher CSA partnership costs due to a system redesign project
- $0.6M (2%) higher staff costs from non-management merit-based salary increases
- $0.5M (19%) higher depreciation from information technology investments
- $0.2M (7%) higher occupancy costs from rent increases
- $0.2M (18%) higher information management costs from software license increases

We are budgeting a $6.5M deficit for fiscal 2017. The increase is due primarily to higher CMRA ($2.4M), national systems project ($1.0M), information management ($0.4M), and depreciation ($0.2M) costs, being only partly offset by higher forecasted mutual fund fee revenue ($0.4M).

The table below summarizes our actual and projected results of operations, by year.

Summarized Statements of Operations

(millions)	2015 Actual	2016 Forecast	2017 Budget
Revenue			
Local filing fees			
Prospectus and other distributions	20.5	21.5	21.9
Registration	11.4	11.7	11.8
Financial filings	4.8	4.6	4.5
Other fees	0.2	0.2	0.2
	36.9	38.0	38.4
Other revenue			
CSA partnership	6.8	6.8	6.8
Enforcement sanctions	1.0	0.3	0.3
Investment income	0.8	0.3	0.4
Total revenue	45.4	45.3	45.9
Expenses			
Salaries and benefits	30.8	31.4	32.6
Other expenses	11.0	12.0	14.3
CSA partnership	3.5	4.5	5.5
Total expenses	45.3	47.9	52.4
Surplus (deficit)	**0.1**	**(2.7)**	**(6.5)**
Supplementary Information			
Total liabilities	11.1	22.0	22.3
Unrestricted surplus	26.6	21.3	13.5
Restricted surplus	32.2	34.4	35.7
Local capital expenditures	2.9	1.2	2.8

Our key fiscal 2017 assumptions for revenues are as follows:

- $0.4M (2%) higher distribution revenue from fees on higher mutual fund gross sales. Mutual fund gross sales grew 6% year-over-year through October 31, 2015, and funds pay us fees on gross sales in arrears when they renew their prospectuses.
- $0.1M (2%) higher registration revenue based on 2% average growth in total registrant numbers over the last two years.
- $0.1M (2%) lower financial filings revenue based on an 8% year-over-year drop in TSXV issuers, partly offset by the continued growth of the mutual fund issuer population.
- No growth in CSA partnership revenues. Market volatility does not significantly affect fees.
- No growth in sanction receipts. $0.3M is the two year average excluding three unusually large receipts. Actual receipts will depend on the nature and timing of cases resolved during the year.
- No growth in investment income. We expect to move our long-term investments into short-term instruments this year so we have the working capital required to fund the projected deficits. We expect interest rates to remain low.

Our key fiscal 2017 assumptions for expenses are as follows:

- $1.2M (4%) higher staffing costs. Fiscal 2017 includes eight additional temporary positions to support CMRA transition planning work. We are also forecasting average 2.8% merit-based salary increases to maintain our mid-market compensation position. Management salaries have been frozen since April 1, 2011.
- $1.0M (22%) higher CSA partnership costs due to spending on a systems redesign project. The CSA is in the midst of a multi-year project to redevelop shared national filing systems to modernize the technology, and to improve data quality and security.
- $2.3M (19%) higher other operating expenses due primarily to higher professional service, information management, project travel, and depreciation costs. We are forecasting that professional expenses will increase $1.0M (48%) to support the CMRA transition ($0.6M) and to implement the new OTC derivatives oversight regime ($0.3M). We are forecasting that information management costs will increase $0.6M (39%) to buy derivatives market information ($0.2M), to increase IT security ($0.2M), and to pay higher software licensing costs caused by foreign currency rate changes ($0.2M). We are forecasting $0.2M (100%) higher travel to support the CMRA and CSA projects. We are forecasting that depreciation will increase $0.2M (5%) due to information technology investments. The table below shows how we expect the components of other operating expenses to change.

(millions)	2015 Actual	2016 Forecast	2017 Budget
Rent	3.0	3.3	3.3
Depreciation	2.4	2.9	3.0
Professional Services	2.0	2.1	3.1
Information management	1.3	1.6	2.2
Education	0.7	0.8	0.8
Administration	0.5	0.6	0.6
Staff training	0.5	0.4	0.5
Business travel	0.2	0.2	0.5
External communications	0.2	0.1	0.2
Telecommunications	0.1	0.2	0.3
Other operating expenses	11.0	12.0	14.3

Risks

The CSA partnership has contracted with CGI Information Systems and Management Consultants Inc. (CGI) to operate several national electronic filing systems through which we collect most of our fee revenue. CGI maintains comprehensive business continuity plans for these systems.

We rely on the CSA partnership projections to estimate our net contribution from the national systems operations. Actual results will differ.

CMRA project estimates remain preliminary. The actual effort required for the project could be higher, which would increase BCSC deficits. The BCSC is undertaking additional scoping work that will help to refine the effort estimates by June 2016.

The fiscal 2017 budget does not include any wind-up or general transition liabilities. Wind-up and general transition liabilities will not be known with certainty until shortly before the BCSC's integration into the CMRA. The BCSC's final year deficit will increase by the amount of any such liabilities.

The fiscals 2016 and 2017 deficits will erode the BCSC's unrestricted surplus, leaving the BCSC more financially vulnerable, particularly if BCSC costs increase or if the CMRA initiative is deferred further. . Given projected revenues, the BCSC will face continuing structural deficits annually until the CMRA launch.

CSA partnership

CGI operates the SEDAR, SEDI, and NRD national electronic filing systems on behalf of a government partnership between the BCSC, OSC, Alberta Securities Commission, and the Autorité des marchés financiers.

Following PSAB, we proportionately consolidate twenty-five percent of national filing system assets, liabilities, net assets, revenues and expenses.

The participants in the government partnership have agreed to restrict the use of national system surplus funds to only benefit national filing system users, through system enhancements or usage fee adjustments.

The following table summarizes our actual and projected partnership segment operations, by year[1]:

CSA partnership (millions)	**2015** Actual	**2016** Forecast	**2017** Budget
Operations			
User fee revenues	6.8	6.8	6.8
Operating expenses	3.5	4.5	5.5
Surplus	3.3	2.3	1.3

For fiscals 2016 and 2017 we are projecting net contributions of $2.3M and $1.3M, respectively. The declining contribution is because of increasing partnership spending on a system redesign project.

[1] We do not have balance sheet information for this segment.

Appendix A:

Hyperlinks to Additional Information

Corporate Governance

- BCSC's governance policy, and the role of the Board of Directors and of each Board Committee
- Membership list of the Board of Directors
- Membership list of each Board Committee
- Names and job titles of senior management
- Key accountability relationships with Ministers, ministries, and any other significant reporting relationships
- **Per Appendix 1 of B.C.'s "Governance and Disclosure Guidelines for Governing Boards of B.C. Public Sector Organizations", these guidelines do not apply to the BCSC.**

Organizational Overview

- Enabling statute
- Mandate provided in enabling statute, vision, values, and overall benefit
- BCSC's business areas
- BCSC stakeholders and partners
- The location of the BCSC's operations

Appendix B:

Subsidiaries and Operating Segments

The BCSC has no subsidiaries, active or inactive.